Implementation of VAT in States

2453. SHRI N.K. PREMACHANDRAN: Will the Minister of FINANCE be pleased to state:

(a) whether Government propose to introduce any specific measures to help the States when Value Added Tax (VAT) is implemented;

(b) whether Government also propose to compensate the States at the time of implementation of VAT;

(c) whether Government have any proposal to sustain loss of consumer States like Kerala due to the implementation of VAT; and

(d) if so, the details in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI GINGEE N. RAMACHANDRAN): (a) to (d) The Value Added Tax (VAT) is more efficient and buoyant system of tax within the system of Sales Tax currently in operation in the States and Union Territories. Introdution of VAT, therefore, should not lead to a revenue loss. However, the Union Government has assured that it will stand by any eventuality faced by the States in case of problems faced in the initial period in their endeavour to replace the Sales Tax system with Value Added Tax system.

Defaulter Co-operative Banks in Gujarat

2454. DR. A.K. PATEL: Will the Minister of FINANCE be pleased to state:

(a) the number of co-operative banks working in Gujarat;

(b) the details of the co-operative banks which have defaulted;

(c) the action being taken against them;

(d) whether GovernmenfRBI are monitoring the functioning of these banks;

(e) if so, the reasons as to why they were not asked earlier to streamline the banks whose financial position was dwindling; and

(f) the steps being taken to avoid such defaults in future?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL): (a) As reported by Reserve Bank of India (RBI) and National Bank for Agriculture and Rural Development (NABARD) there are 359 primary Urban Co-operative Banks (UCBs), 1 State Co-operative Bank (SCB) and 18 District Central Co-operative Banks (DCCBs) functioning in the State of Gujarat.

(b) and (c) While NABARD has reported that the SCB and DCCBs have not committed any default, about nine urban banks as reported by RBI have faced liquidity problems and have defaulted in meeting their commitments to their depositors. RBI has taken various action against these banks like issuing direction for protecting the interest of the depositors and to avoid preferential payment to favoured depositors, placing of restrictions on withdrawal of deposits and sanction of fresh loans, superceding the Board of Directors and appointment of administrator filing of criminal complaints against the management of the bank, etc.

(d) and (e) RBI is regularly monitoring the functioning of these banks. However, the urban co-operative banks function under a regime of dual control. While their administrative function fall under the jurisdiction of the registrar of Co-operative Societies, their banking related functions are controlled by the RBI. RBI regulates the banking related functions through prescribed statutory returns which are submitted at periodical intervals. Violations observed during the course of inspection are brought to the notice of the bank concerned for rectification and compliance report is obtained from them.

(f) RBI has reported that it has taken various regulatory supervisory measures to avoid such defaults in future. These include restricting the operations of co-operative banks in call money market, revising the norms of investment in Government and other approved securities, restricting the investment of funds as deposit with other cooperative banks, restricting the issue of bankers' cheques by urban co-operative banks, introduction of a system of Off-site surveillance on scheduled urban banks, etc.